

PUBLIC DISCLOSURE

NOVEMBER 14, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MALDEN CITY EMPLOYEES CREDIT UNION

CERT # 67773

**200 PLEASANT STREET
MALDEN, MASSACHUSETTS 02148**

**DIVISION OF BANKS
1000 WASHINGTON STREET, 10th FLOOR
BOSTON, MA 02118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution’s record of meeting its needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Malden City Employees Credit Union (the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of **November 14, 2012**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION’S CRA RATING: This institution is rated Satisfactory.

An institution in this group has an adequate record of meeting the credit needs of its membership, including low- and moderate-income members, in a manner consistent with its resources and capabilities.

This evaluation is based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$250 million adjusted annually, currently at \$290 million. A summary of the Credit Union’s performance is provided below.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs and by which the Division will evaluate the institution’s CRA performance. Credit unions whose membership by-law provisions are not based upon residence are permitted to designate its membership as its assessment area.

A summary of the Credit Union’s performance is provided below:

- The Credit Union’s average net loan to share (LTS) ratio for the past eight quarters was 63.5 percent and is considered reasonable.
- The Credit Union’s distribution of borrowers reflects, given the characteristics of its membership, reasonable penetration of low- and moderate-income borrowers.
- No CRA-related complaints were received during the evaluation period.

SCOPE OF EXAMINATION

This evaluation considered the Credit Union’s unsecured personal loans and auto loans from January 1, 2010 through December 31, 2011. Although unsecured personal loans account for 22 percent of the Credit Union’s portfolio by dollar volume, this loan product represents 59 percent of loans by number. Both new and used auto loans account for 21.5 percent of the loan portfolio by dollar volume, but 27 percent of loans held in the Credit Union’s loan portfolio by number.

PERFORMANCE CONTEXT

Description of Institution

The Malden City Employees Credit Union is a state-chartered credit union founded in 1943. According to the Credit Union's bylaws, the purpose of the Credit Union is for the promotion of thrift among its members by the accumulation of savings and the loaning of such accumulations to its members for provident purposes. Membership in the Credit Union is limited to those who are employees of the City of Malden, employees of the Malden City Employees Credit Union and members of their families. As of September 30, 2012, the Credit Union has 1,919 members. The Credit Union maintains one office located at 200 Pleasant Street, Malden, Massachusetts with office hours from 7:30 AM to 4:00 PM on Monday, Tuesday, Wednesday and Friday, and from 7:30 AM to 6:00 PM on Thursday.

The Credit Union offers a number of consumer loan products to its members. Such loans include new and used auto loans, recreational vehicle loans, personal loans, and motorcycle loans. The Credit Union also offers mortgage loans, home-equity lines of credit, and overdraft loans. Retail services include regular and special savings accounts, checking accounts, ATM cards and debit cards. The Credit Union is a member of the SUM network. Electronic funds transfer services include direct-deposit through payroll and the payroll deduction of loan payments.

As of September 30, 2012, the Credit Union had total assets of \$13.1 million. This represents a 28.7 percent increase since the prior evaluation. The Credit Union's loan portfolio increased 15.0 percent over the same period, with net loans totaling \$6.1 million as of September 30, 2012. The loan portfolio accounts for 46.7 percent of assets. Management attributed the asset and loan growth since the last evaluation to an increase in membership primarily through word-of-mouth referrals. Refer to Table 1 below for detailed information regarding the Credit Union's loan portfolio.

Table 1 - Loan Portfolio Distribution as of September 30, 2012		
Loan Type	Dollar Volume	Percentage of Total Loans
Total Other Real Estate Loans / Lines of Credit	\$1,805,152	29.6
Total 1st Mortgage Real Estate Loans / Lines of Credit	\$1,458,790	23.9
All Other Unsecured Loans / Lines of Credit	\$1,344,486	22.0
Used Vehicle Loans	\$937,577	15.4
New Vehicle Loans	\$374,352	6.1
Total All Other Loans / Lines of Credit	\$180,916	3.0
Total	\$6,101,273	100.0

Source: 9/30/12 Consolidated Report of Condition

As displayed above, the largest proportion of the Credit Union's loan portfolio by dollar volume is comprised of total other real estate loans, representing 29.6 percent, followed by first mortgage real estate loans which represent 23.9 percent and all other unsecured loans at 22.0 percent.

The Credit Union was last examined for compliance with the CRA on May 1, 2008. The examination resulted in a CRA rating of Satisfactory.

There are no apparent financial or legal impediments limiting the Credit Union's ability to help meet the credit needs of its membership.

Description of Assessment Area

In accordance with 209 CMR 46.41, the Credit Union defines its membership as its assessment area. Membership in the Credit Union is limited to those who are employees of the City of Malden, employees of the Malden City Employees Credit Union and members of their families.

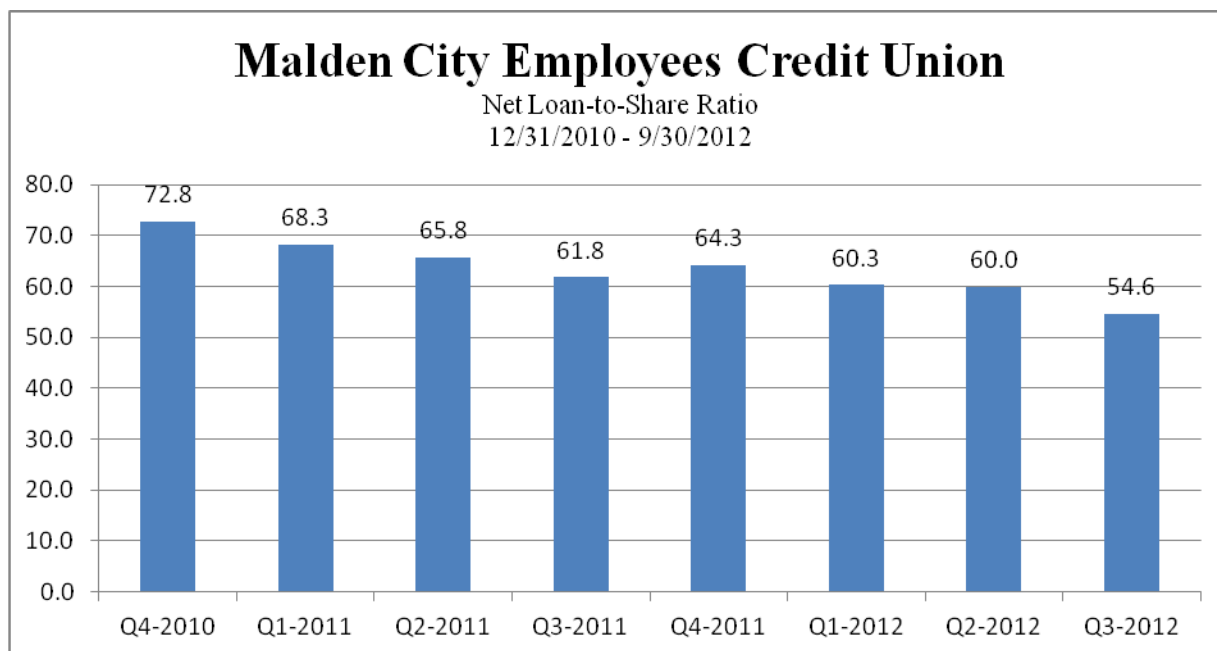
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Overall, the Credit Union's performance under the Lending Test is considered "Satisfactory." This rating indicates that Malden City Employees Credit Union lending performance demonstrates a satisfactory responsiveness to the credit needs of its membership.

LOAN-TO-SHARE (LTS) ANALYSIS

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans and evaluates its appropriateness.

The Credit Union's net LTS ratio as of September 30, 2012 was 54.6 percent. The Credit Union's average quarterly net LTS ratio was 63.5 percent and was calculated by averaging the previous eight quarterly net LTS ratios between December 31, 2010 and September 30, 2012. As shown in the graph below, the net LTS ratio reached a high of 72.8 percent in December 2010 and a low of 54.6 in September 2012.



During the review period, loans experienced a total decrease of 10.3 percent while shares increased by 19.6 percent. The decrease in loans and the increase in shares resulted in a declining net LTS. Management attributed the decrease in the loan balance to lower loan demand as well as a tightening of underwriting standards on unsecured personal loans due to a few recent charge-offs. Fluctuations in share levels were attributed to members making larger withdrawals towards the end of the year for holiday expenses.

For evaluation purposes, the Credit Union's net LTS ratio was compared to a group of three similarly situated financial institutions by asset size and loan portfolio composition.

Table 2 - Net Loan-to-Share Ratios		
Institution	Average Net LTS Ratio (%) (December 2010 – September 2012)	Total Assets \$('000s) as of 9/30/12
<i>Malden City Employees Credit Union</i>	63.5	\$13,061
Watertown Municipal Credit Union	49.0	\$11,977
Melrose School and Municipal Credit Union	46.4	\$10,843
Arlington Municipal Credit Union	28.8	\$10,022

Source: NCUA 5300 Statement of Financial Condition as of September 30, 2012

As shown in the table above, the three other Credit Unions' average quarterly net LTS ratios ranged between 49.0 and 28.8 percent. At 63.5 percent, Malden City Employees Credit Union is greater than the other three similarly situated Credit Unions. Based on the foregoing information, the Credit Union's asset size, resources, and the credit needs of its members, the Credit Union's net loan-to-share ratio is considered reasonable.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of unsecured personal and auto loans by borrower income level was reviewed to determine the extent to which the Credit Union is addressing the credit needs of its members. A sample 152 unsecured personal and auto loans were reviewed (76 from each year). Borrower income was compared to the median family incomes for the Boston-Quincy, MA Metropolitan Division ("MD"), which was estimated to be \$85,200 in 2010 and \$87,600 in 2011.

Table 3 - Distribution of Loans by Borrower Income					
Median Family Income Level	2010		2011		Distribution of Families by Income Level
	#	%	#	%	
Low	27	35.5	37	48.7	21.7
Moderate	38	50.0	26	34.2	17.1
Middle	11	14.5	10	13.2	21.6
Upper	0	0.0	3	3.9	39.6
Total	76	100.0	76	100.0	100.0

Source: Credit Union Loan Data for 2010 and 2011

There were no joint applications included in the file review for this evaluation, which means the Credit Union only relied on a single income in making the credit decision. Comparing a member's income with the median family income potentially inflates the levels of lending to low- and moderate-income borrowers as the median family income typically includes the income of two individuals.

In general, the distribution of loans by borrower income reflects the Credit Union's willingness to service all of its membership with suitable, accessible loan products.

The Credit Union's performance in lending to low- and moderate-income borrowers is reasonable and meets the standards of satisfactory performance.

RESPONSE TO CRA COMPLAINTS AND FAIR LENDING

The Credit Union did not receive any CRA-related complaints during the evaluation period.

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

Based upon a review of the Credit Union's performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Credit Union only had a small number of denials during the evaluation period. About 25 percent of denials during the evaluation period were reviewed and did not raise any concerns for the examiners. Information derived from the loan policy and the fair lending interview did not reveal any potential fair lending risk areas.

Fair lending is incorporated into the Credit Union's loan policy as part of its basic lending philosophy.

Prior to the hire of a new Manager/CEO, the Credit Union had an informal second review for denied loan applications. The manager is making it a practice to present all denied loan applications to the Board as part of the denial process.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 200 Pleasant Street, Malden, Massachusetts 02148."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.